Are you ready for HIPAA Transactions?
Written August 19, 2002

It's time for Michigan's Medicaid Providers to gear up for HIPAA compliant *transactions*. "HIPAA day" is coming quickly and there is still a lot of work that providers will need to complete in preparation for the HIPAA transaction mandate--which is now October 16, 2003, if you file for the extension. This article will help you understand HIPAA, how to file for the extension, Michigan Department of Community Health's (MDCH) phased-in plan, and what you must do in your preparation for HIPAA transaction compliance.

Who is Affected by HIPAA?
All health care providers and payers nationwide – public and private – must conform to HIPAA. That includes physicians, dentists, hospitals and health plans. It also covers clearinghouses and others providing billing services or re-pricing, along with any business associates who handle any individually identifiable health information. All healthcare providers who submit electronic transactions will have to do so in a HIPAA compliant format.

What is HIPAA and What is MDCH Doing About It?
HIPAA is the federally mandated Health Insurance Portability and Accountability Act of 1996. It defines the rules for all healthcare providers and payers. Its administrative simplification provisions require the implementation of national standards to regulate and protect electronic transmissions. There are two components to administrative simplification: electronic data transmission and data protection. Electronic data transmission includes transactions, code sets, and identifiers. Data protection includes security and privacy. The MDCH plan for HIPAA transaction compliance will only affect *transactions*. Many of you are currently focused on the privacy and security issues surrounding HIPAA but may have overlooked the transaction aspect of the act.

The intent of HIPAA is to fundamentally change the way health care information is collected, stored and exchanged. The rule on transactions and code sets is intended to put in place national standards that will transform the current patchwork of conflicting and proprietary health information systems into an interconnected system where information flows easily between providers, insurers and payers.

The transaction segment of the law is critical because it determines reimbursement and cash flow. The MDCH HIPAA *transaction* compliance plan will be phased-in through October 16, 2003, the day that HIPAA compliance must be met. MDCH is converting its claims processing, payment and remittance systems to comply with the HIPAA rules for electronic transactions and code sets. Medicaid providers are encouraged to take advantage of HIPAA's benefits and convert to electronic billing.

What are the Benefits of the HIPAA Transactions Rule?
• Efficiency — simplification and standardization of electronic transactions and code sets will reduce the administrative burden to providers and payers
• Savings — providers and payers will recognize a reduction in administrative cost (a paper transaction costs anywhere from $5 to $15 compared to $0.85 to $1.25 for an electronic transaction)
• Convenience — standardization of electronic transactions will enable easier data sharing, record portability and automated business procedures

•	Speed — financial transactions will be processed at a quicker rate resulting in faster payment for services

MDCH Plan Overview
The MDCH plan is being phased-in to stay in-step with the implementation plans of the other major payers like Blue Cross/Blue Shield and Medicare. Major components of the plan include provider education and outreach through a series of informational seminars, easy to read brochures, electronic newsletters to provider associations, and web sites that are frequently updated to give you the latest information.

MDCH's phased-in plan will enable providers and trading partners the opportunity to plan, prepare, test and certify that their business to business transactions are HIPAA compliant. The phased-in implementation schedule will ensure that all nine (9) transactions meet the HIPAA timeframe requirements.

Electronic Billing Maximizes HIPAA's Benefits
Providers will recognize significant benefits if they file claims electronically. If you currently submit paper claims, MDCH is urging you to partner with a clearinghouse to submit HIPAA compliant electronic claims. While MDCH will still accept paper claims, it strongly encourages all providers to file claims electronically. Electronic billing maximizes the benefits of HIPAA's administrative simplification provisions, cutting the payment cycle in half and reducing a provider's administrative costs.

Medicaid providers can reap HIPAA's benefit with relatively little effort by using a HIPAA-certified clearinghouse to submit and receive your claims information electronically. Payers throughout Michigan will be ready for HIPAA. Will you be ready to reap HIPAA's benefits? Billing claims electronically:
•	Cuts your payment cycle in half
•	Will eliminate common errors
•	Reduces data entry errors and delays caused by scanning and re-keying
•	Provides acknowledgement of receipt
•	Eliminates costs of handling and storing paper documents

Electronic Billers Should be Testing HIPAA Transactions
MDCH strongly recommends that all electronic billers and clearinghouses certify their electronic transactions. Health Care Providers that submit electronic claims should be testing files through a third party service such as HIPAA Validator or Claredi before submitting test claims to MDCH. If you use a clearinghouse or billing agent, check to be sure they have a HIPAA compliance plan in place, and are working to achieve certification of HIPAA compliance through an independent third party testing and certification entity.

MDCH will test and certify its own electronic transactions through Claredi. Claredi is an independent service that provides credible and comprehensive testing. Claredi is the leader in testing and certification of EDI transactions for HIPAA compliance.

Electronic Guides and Manuals
Implementation Guides for all of the HIPAA transaction sets are available at www.wpc-edi.com/HIPAA. In addition, the Michigan Electronic Billing Manual specifies how to submit these transactions to MDCH, and is available on the MDCH web site at www.michigan.gov/mdch. Once in the MDCH web site, click on Providers, Information for Medicaid Providers, Michigan Medicaid Uniform Billing Project, Electronic Claim

Submission Information. Please note that the processes described in the Michigan Electronic Billing Manual represent a combination of the current electronic processes with a note toward future HIPAA implementation.

MDCH HIPAA Transaction Compliance Plan
In-Step with Blue Cross/Blue Shield and Medicare
MDCH is coordinating its HIPAA transaction implementation timeframe with Blue Cross Blue Shield of Michigan (BCBSM), the two Medicare intermediaries for Michigan: United Government Services (UGS) for Medicare Part A and Wisconsin Physicians Service (WPS) for Medicare Part B to make your compliance planning more manageable. A great number of Michigan providers utilize the BCBSM clearinghouse to submit claims to Medicaid.

MDCH has been collaborating with Medicare and BCBSM on specific initiatives to assist Michigan providers with the new HIPAA transaction standards. Part of that collaboration included a series of HIPAA Readiness seminars that were held throughout the state during the last week of May and first week of June 2002. Because of their success and the positive response from health care providers, MDCH, Medicare and BCBSM plan to conduct another series of HIPAA Readiness seminars this fall.

Prepare for HIPAA Transaction Compliance
For uninterrupted claims payment, it is important that you comply with the HIPAA mandate. If you do not comply with HIPAA transaction and code set guidelines, MDCH cannot accept or pay your claims. The major payers in Michigan will be accepting the common claim transactions (837/4010) and this should assist in standardization and increased submission of electronic claims and encounter transactions. To prepare for HIPAA, you should:

•   Know the nine (9) transactions and implementation dates
•   Identify your needs to meet HIPAA compliance
•   Establish your plan for compliance
•   Have your electronic transactions tested for HIPAA compliance or inquire to assure that your electronic biller or clearinghouse is certified to submit HIPAA compliant transactions
•   Apply for the HIPAA Extension with the Centers for Medicaid and Medicare Services (CMS) by October 15, 2002
•   Know where to go to get more information
•   Stay on target with the HIPAA transaction dates

MDCH HIPAA Transaction Implementation Schedule
There are nine (9) transactions that are included in HIPAA compliance. MDCH will implement them incrementally beginning October 1, 2002 starting with claims and remittance.

•   MDCH anticipates B2B testing 837 version 4010 claim formats (Professional, Institutional, Dental) beginning third quarter 2002
•   MDCH will accept 837 version 4010 claims by October 1, 2002
•   MDCH will begin B2B testing all remaining HIPAA compliant transactions April 16, 2003
•   All transactions must be HIPAA compliant by October 16, 2003
•   Codes will be standardized by October 16, 2003 (i.e., all local codes will be eliminated)

The HIPAA Transactions and Code Sets
The Electronic Transactions List
837   Institutional Claims and Encounters
837   Professional Claims and Encounters
837   Dental Claims and Encounters
837   Drug Claims (NCPDP v3.2 for retail pharmacy)
835   Claim Payment and Remittance Advice
276   Claim Status Request
277   Claim Status Response
270   Eligibility Request
271   Eligibility Response
837   Coordination of Benefits (COB)NCPDP telecommunications standard v3.2
834   Enrollment and Disenrollment
278   Referral Authorization (Request)
278   Referral Authorization (Response)

The HIPAA Code Sets
•   CPT-Physician services
•   CDT-Dental Services
•   NDC-Drugs
•   ICD-9-CM Vol. 3, Codes Inpatient Hospital until ICD-10-CM & ICD-10-PCS are
        ready
•   HCPCS Level III codes

Keep Current on Code Sets
It is important that Providers keep current with their code implementation. Local codes cannot be used after Oct 16, 2003. That means providers must pay more attention to national codes now as they are released...this is especially true during this interim period, and transition to national codes as they become known. The impact of HIPAA on standardizing the Code Sets will mean that providers will only have one set of uniform national codes. Those standard code sets will continue to be updated on a regular basis (quarterly or annually depending on which codes affect you) after the transition to HIPAA.

Submit Your Extension to CMS by October 15, 2002
The federally mandated deadline for using HIPAA's standard transactions and code sets has been extended to October 16, 2003, but only for covered entities that submit a compliance plan to the Centers for Medicaid and Medicare Services (CMS) *by October 15, 2002*. To receive the extension, you must apply for the extension. Application forms are available at www.cms.hhs.gov/hipaa/hipaa2/ascaform.asp. The extension does not impact the April 2003 deadline for compliance with HIPAA's privacy rules.

Start Testing 837 Claims This Summer
The testing period for submitting the 837 transactions begins in the third quarter of 2002. MDCH urges Michigan health care providers to take full advantage of this opportunity. That will allow billers – both in-house and third-party services – plenty of time to work out the kinks before the compliance date of Oct. 16, 2003. At that time, MDCH can no longer accept or pay any Medicaid claims that fail to comply with HIPAA transaction and code set guidelines.

Testing is a two stage process. Stage One Integrity Testing requires electronic billing entities to ensure that their systems are HIPAA compliant. The best way to accomplish this is by utilizing an independent third party testing service like Claredi or Foresight's HIPAA Validator. MDCH is providing Claredi testing and HIPAA certification services for all contracted Managed Health Care Plans. In addition, MDCH, in partnership with BCBSM, is providing free access to Foresight's HIPAA Validator—a web based HIPAA testing tool—through www.bcbsm.com/providers/trans_test.shtml. Before you access the HIPAA Validator, log on to www.michigan.gov/mdch or www.mihealth.org to get instructions that will make the HIPAA Validator easier to use.

After successful completion of Stage One testing, you can then move on to Stage Two Business to Business Testing and submit test claims to payers like MDCH and BCBSM. Complete instructions for submitting test claims to MDCH can be found at www.michigan.gov/mdch and www.mihealth.org.

Other payers nationwide face the same deadline. MDCH advises providers to get the testing schedules and implementation details from each one with which you do business to avoid payment interruptions.

MDCH Begins Accepting 837 Transactions October 1, 2002
In preparation for HIPAA, MDCH converted all providers to standard formats through its Uniform Billing project. The implementation of standard formats through Uniform Billing was your first step toward HIPAA compliance. Effective October 1, 2002, MDCH will no longer accept any of its current proprietary electronic claim formats (e.g., dental, long-term care, etc.) according to David McLaury, Director of Project Development and Implementation at the Michigan Department of Community Health.

From October 1, 2002 and beyond, all electronic claims must be submitted utilizing the national standard formats, <u>regardless of date of service</u>. Proprietary *paper* claim formats will also no longer be accepted beginning October 1, 2002. From that date forward, all paper claims must be submitted utilizing the national standard formats, <u>regardless of date of service</u>.

Although not required by HIPAA, MDCH is encouraging and will begin accepting all 837 transactions (Professional, Institutional, Dental) (i.e., ANSI ASC X12N 837 v. 4010) beginning October 1, 2002.

MDCH's HIPAA compliance plan calls for incremental adoption of the nine transactions and codes sets starting *October 1, 2002*, with the key claims-related transactions:

- **837 "claims and encounters"** – these are claims submissions by a health care provider to a payer. MDCH will begin by accepting three versions of 837 transactions: institutional claims and encounters, professional claims and encounters, and dental claims and encounters.

Test Remaining HIPAA Transactions April 2003
On *April 16, 2003*, MDCH will start testing the remaining seven HIPAA-compliant transactions, McLaury says. During the transition period, it's your responsibility to learn about any new transactions and code sets as these are completed.   Until then, check your local professional association, and your national code group often for the latest information.

The testing period will continue until *October 16, 2003* – "HIPAA Day" – when MDCH and all other payers will accept only HIPAA compliant transactions and code sets. Non conforming transactions and code sets will be rejected without payment, regardless of the date of service.

Convert to the HIPAA Compliant Formats

On October 16, 2003, all electronic claims to MDCH must be submitted using the ANSI ASC X12N 837 version 4010 formats. MDCH encourages you to not invest time and money in old, outdated claim forms, but instead to move towards adopting the HIPAA-compliant billing formats (i.e., version 4010).

For More Information:

During the conversion period, health care providers can take advantage of many other available resources. Look for specific information in future communications from MDCH, your professional health care association and these resources:

- MDCH www.michigan.gov/mdch
- MDCH Provider Hotline: 1-800-292-2550
- providersupport@michigan.gov
- Complete details and frequently asked questions www.mihealth.org
- Michigan Virtual University's HIPAA primer www.healthcare.mivu.org

Check with Other Payers

Since HIPAA is a federal mandate, all payers will be working to implement the standards. Check with all the payers with which you do business for their testing schedules and other implementation details. Be sure you check with other payers to confirm details about their implementation and testing procedures.

Provider Education and Outreach

To assist Michigan Medicaid providers in preparing for HIPAA, MDCH will provide:

- Ongoing communications to providers through official Department bulletins and letters
- Education and outreach opportunities to professional healthcare provider associations and their members
- An Internet based HIPAA Primer at www.healthcare.mivu.org
- Training opportunities for provider associations and their members
- Two web sites for up-to-date information:
    www.michigan.gov/mdch
    www.mihealth.org

HIPAA Primer and Other On-line Training Opportunities

MDCH, in collaboration with the Michigan Virtual University, has created a HIPAA Primer and other training modules covering the billing policies for completing professional and institutional claims. The HIPAA primer is a virtual tour of everything you need to know about submitting HIPAA compliant transactions to MDCH. The HCFA 1500 and UB-92 training modules are also very helpful. Although the training modules are for the completion of the paper HCFA 1500 and UB-92 claim forms, the code sets and billing policies described also apply to the electronic claim formats. These can be found at www.healthcare.mivu.org.

Other Useful Web Resources:

- aspe.os.dhhs.gov/admnsimp (full text of HIPAA regulations)
- hipaa.wpc-edi.com/hipaa_40.asp (X12N implementation guide)
- www.ncpdp.org (NCPDP implementation guide)
- www.wedi.org (useful white pages and assistance for HIPAA implementation)
- cms.hhs.gov/hipaa/hipaa2/ascaform.asp (HIPAA extension)
- ugsmedicare.com (Medicare Part A)
- www-ss.wpsic.com/medicare_web (Medicare Part B
- www.claredi.com (HIPAA certification and testing)
- www.bcbsm.com/providers/trans_test.shtml (Foresight's HIPAA Validator—a web based HIPAA testing tool)